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R 212316Z APR 09
FM AMEMBASSY BOGOTA
TO RUEHC/SECSTATE WASHDC 8425
INFO RUEHBR/AMEMBASSY BRASILIA 8804
RUEHPE/AMEMBASSY LIMA 7373
RUEHCV/AMEMBASSY CARACAS 2068
RUEHZP/AMEMBASSY PANAMA 3455
RUEHLP/AMEMBASSY LA PAZ APR QUITO 8114
RUEATRS/DEPT OF TREASURY WASHDC

UNCLAS BOGOTA 001299

SIPDIS
SENSITIVE

TREASURY FOR AJEWELL; WHA/EPSC FOR AWONG; EEB/OMA FOR
ASIROTIC

E.O. 12958: N/A

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SUBJECT: COLOMBIA SEEKS USD 10.4 BILLION IMF CREDIT LINE AS
PRECAUTION AGAINST ECONOMIC SLOWDOWN

REF: BOGOTA 1270

¶1. (SBU) Citing uncertainty over the outlook for the Colombian economy amid the global downturn, Finance Minister Oscar Ivan Zuluaga announced April 20 the Colombian government's decision to request a USD 10.4 billion flexible line of credit from the International Monetary Fund. The decision follows a deterioration in the GOC's fiscal accounts since the beginning of the year and increasing indications that Colombia is approaching recession.

¶2. (SBU) Minister Zuluaga and other GOC officials, including Central Bank President Jose Dario Uribe, characterized the request in public remarks as a precautionary step in order to have additional funds on hand in the event Colombia's budget deficit worsens amid falling tax revenues. Upon approval from the IMF, Colombia would have one year to draw on the credit line as needed. While the requested amount is equivalent to over 40 percent of Colombia's current record-high international reserves, GOC authorities did not dismiss the possibility of requesting an increase or extension in the loan in the future.

¶3. (SBU) Local markets and analysts reacted positively to the decision despite the abrupt shift in recent months from Colombia's long stream of positive economic news since 2003. Among others, former Director of Public Credit Julio Torres told us he considered the GOC move prudent, if somewhat overdue, given the decline in the local economy and the GOC's fiscal accounts since early 2009.

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